

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MARCH 2, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 2, 2010, commencing at 7:02 a.m.

Present: Council Member Hansen, Council Member Johnson, Mayor Pro Tempore Hitchcock, and Mayor Katzakian

Absent: Council Member Mounce

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Receive Information Regarding Water Meter Extended Payment and Payment Deferral Options Plan (PW)

City Manager King provided a brief introduction to the subject matter of the Lodi water meter program.

Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the extended payment and payment deferral options for the property owners for the Lodi water meter program. Specific topics of discussion included proposed recommendation, discussion items, defining a meter service, meter set components, meter service cost basis, installation, meter installation costs, payment options for lump sum and extended term, monthly installment payments, benefit assessment district option, bond financing, cash flow model alternatives, and meter program time frame compared to other cities.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated in a new subdivision the developer is responsible for constructing and providing service from the main to the box and house. Further, Mr. Sandelin stated if an older home is purchased, the new owner is responsible for the service and the former property owner would have installed from the main to the house.

In response to Council Member Hansen, Mr. Sandelin confirmed staff will need to inspect every parcel including pre-1992 homes to ensure proper installation and it will take approximately five years through phases. Mr. Sandelin stated door hangars will be used for notification purposes.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the rich box class includes the five inch diameters with cast iron assembly around the valves and there are approximately 10,000 in the City.

In response to Council Member Johnson, Mr. Schwabauer and Mr. King confirmed that a proposed benefit assessment district would be subject to Proposition 218 requirements and need an affirmative vote to pass. Further, Mr. Schwabauer stated if long-term efforts were successful by way of an affirmative vote, the City could sue the State for reimbursement since the water meter installation is an unfunded mandate with a cost that was not able to be passed down to the ratepayers.

In response to Council Member Hansen, Mr. Sandelin stated the 4% inflation annual adjustment was arrived at using a conservative estimate as the wastewater side is running approximately 3.5%.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin and Mr. King stated that the City Council can modify the alternatives if it so chooses and it is not anticipated that the proposed deficit will reach \$9 million.

In response to Council Member Johnson, Mr. Sandelin stated most of the 3,600 property owners that have the rich box system would qualify for Community Development Block Grant (CDBG) funding, although he is not sure of the exact amount of those eligible.

In response to Council Member Johnson, Mr. Sandelin stated this is the first time he has seen a reduction in the Consumer Price Index and staff will closely monitor funding and inflation for adjustment purposes as the current numbers are based on certain assumptions.

In response to Council Member Hansen, Mr. Sandelin stated the proposed payment plans were tested in the model to arrive at the suggested numbers, six and seven year options were not looked at, and in general the longer the term the slower the recovery because payments come in at a slower rate.

In response to Council Member Hansen, Mr. Sandelin stated for the individual rate payer, it is less of a cost per month for the bond option as opposed to the pay as you go option but the sum of bond payments is almost double than the pay as you go option.

In response to Mayor Katzakian, Mr. Sandelin stated the total cost of the project is \$35 million, of which \$15 million is paid by the property owners and \$20 million is paid by the City.

In response to Council Member Hansen, Mr. Sandelin stated there may be approximately \$3 million available through CDBG funding but he is not sure of that number and would need to confirm with Community Development. Further, Mr. Sandelin stated approximately 3,623 homes are in the \$2,000 category, this is relatively new information because the original \$1,200 cost may not have included everything, and to keep costs low the utility is carrying the design and construction costs.

In response to Council Member Johnson, Mr. Sandelin stated he does not expect the 3,623 number to fluctuate more than plus or minus five percent.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated in a seven-year program, the estimated \$34 dollar amount would likely come down to approximately \$15 and the other numbers would adjust as well.

In response to Council Member Johnson, Mr. Sandelin confirmed that the average single-family home of three bedrooms pays approximately \$40 per month for water.

C. Comments by Public on Non-Agenda Items - None

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:00 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Receive Information Regarding Water Meter Extended Payment and Payment Deferral Options Plan

MEETING DATE: March 2, 2010 (Shirtsleeve Session)

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Receive information regarding water meter extended payment and payment deferral options plan.

BACKGROUND INFORMATION: The City Council directed that all remaining meters within the City **be** installed by the end of 2013 and that property owners pay the full cost of the individual meter installations. In concert with the scheduled meter installations, it is necessary to replace small-diameter pipes throughout the City. Updated construction cost estimates for the pipe construction and meter installations will be provided to the City Council.

Alternatives for property owners to pay for meters include lump sum, extended payment, and low-income payment deferral. These and other alternatives will be presented to the Council for information.

Conceptual-level cash-flow analyses will be provided to the Council for some of the alternative construction and extended payment options.

A recommended water meter payment plan is scheduled to be presented to the Council at the March 17, 2010 meeting.

FISCAL IMPACT: Depending upon policy direction, the rate of expenditures to install water meters may not correlate with revenue. Therefore, the fiscal impacts are variable depending upon policy direction.

FUNDING AVAILABLE: Not applicable.


F. Wally Sandelin
Public Works Director

FWS/pmf

APPROVED: 
Blair King, City Manager

Lodi Water Meter Program

Extended Payment and Payment Deferral Options
for Property Owners

Shirtsleeve
March 2, 2010



Recommendation

- 5-Year Construction Timeframe (2011 – 2015)
- Property Owners Pay For Meter Service
- 5-Year Extended Payment Plan at City's Investment Portfolio Rate
- Consider Using CDBG Funds for Low Income Homeowners



Discussion Items

- Updated Construction Cost Information
- Payment Options
- Construction Schedule Options
- Analyses



What Defines a “Meter Service”?

- Meter, ERT and Meter Box
- Connection to Water Main
- Connection to home

Meter Set Components

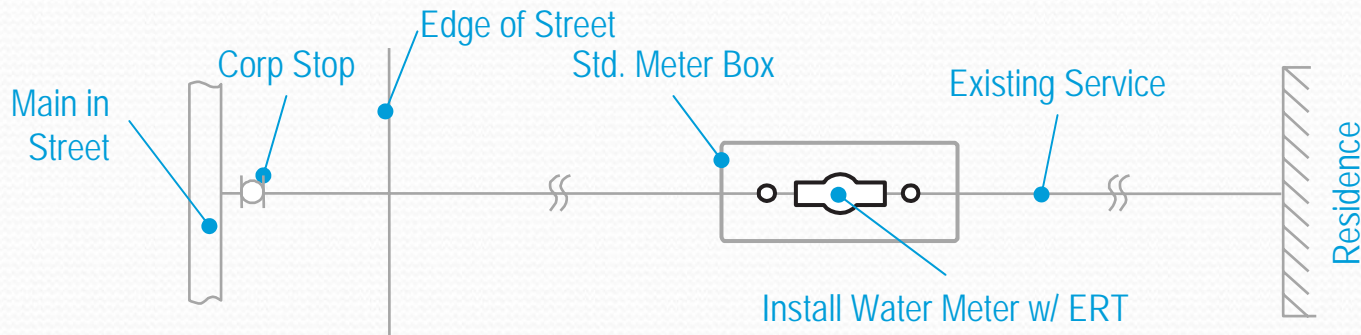


Meter Service Cost Basis

- Water Project No. 3 bids were used
- Averaged low-to-mid range of bidder unit costs
- Design, administration and inspection costs assigned to Water Utility (20%)

Installation

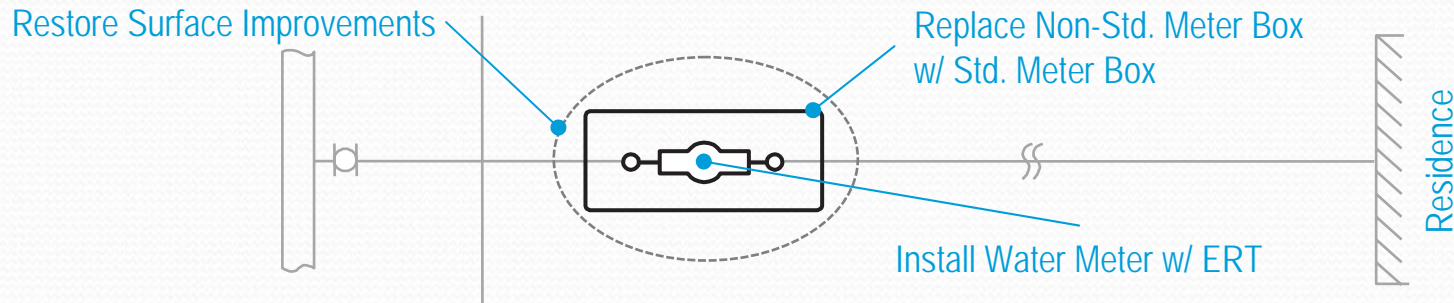
Class



Post-1992

Prepaid
(\$300 by City)

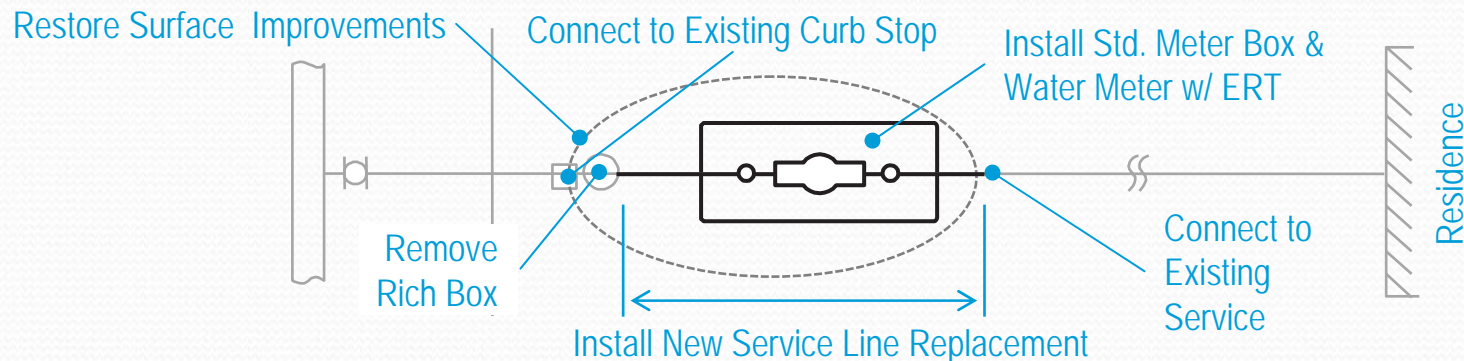
624 Parcels



1979 - 1992

Non-Standard
Meter Box (\$450)

2,666 Parcels



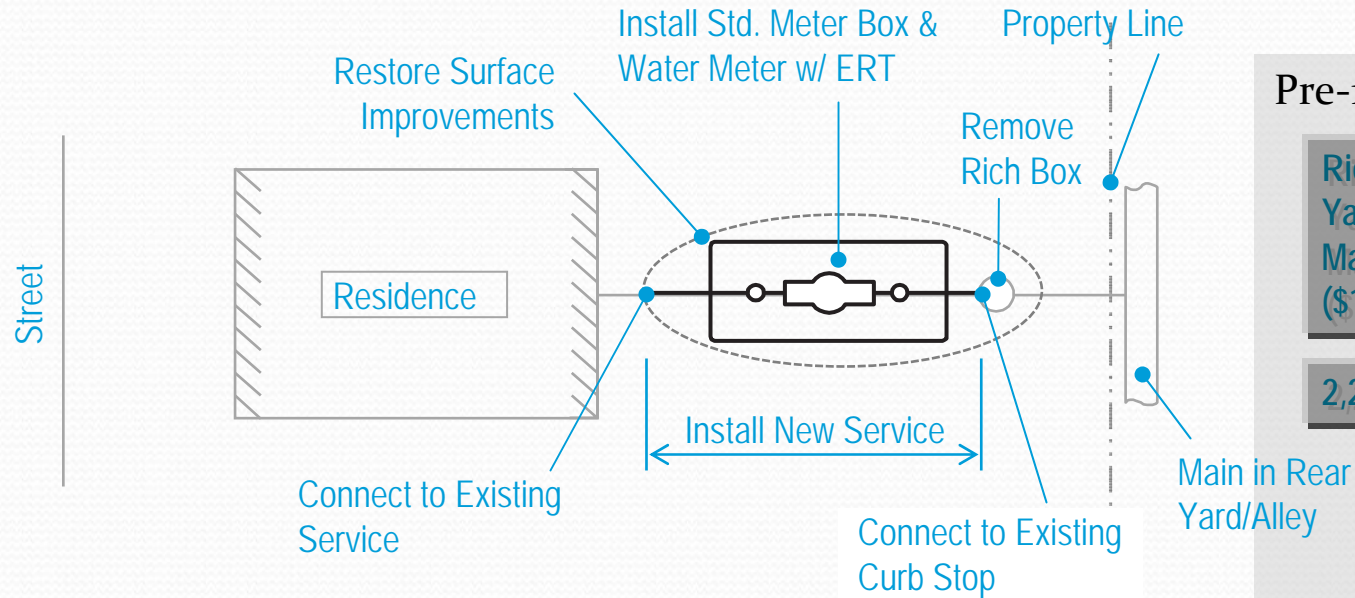
Pre-1979

Rich Box in Front
Yard (\$1,100)

4,140 Parcels

Installation

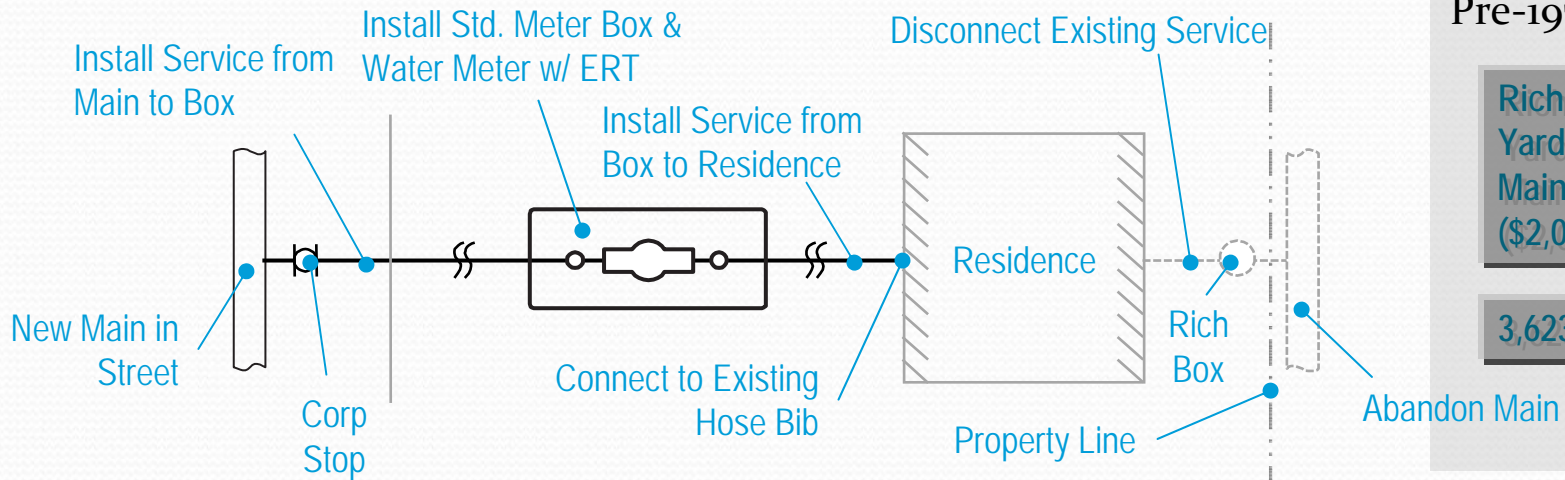
Class



Pre-1979

Rich Box in Rear
Yard or Side Alley
Main > 6-Inch
(\$1,200)

2,253 Parcels



Pre-1979

Rich Box in Rear
Yard or Side Alley
Main < 6-Inch
(\$2,000)

3,623 Parcels

Meter Installation Cost

Phase	Number of Parcels	Prepaid	Non-Std. Meter Box	Rich Box			
				Front	Rear Yard/ Side Alley (> 6")	Rear Yard/ Side Alley (< 6")	Total
1	3961	252	587	1459	534	1129	3122
2	2801	159	86	538	1121	897	2556
3	6544	213	1993	2143	598	1597	4338
Totals	13306	624	2666	4140	2253	3623	10016
Construction Cost							
Unit Cost		\$300	\$450	\$1,100	\$1,200	\$2,000	
Total Cost		\$187,200	\$1,199,700	\$4,554,000	\$2,703,600	\$7,246,000	\$14,503,600

Payment Options

- Lump Sum
 - 30% participation assumed for existing meter box class
 - 10% participation assumed for Rich Box classes
- Extended Term
 - 3 yr or 5 yr fixed interest rate
 - Interest at City Investment Portfolio Rate (1.5%)

Monthly Installment Payments

Class	3 Year Term	5 Year Term
Prepaid	\$ 0.00	\$0.00
Non-Standard Meter Box	\$14.31	\$7.79
Rich Box in Front Yard	\$31.27	\$19.04
Rich Box in Rear or Side Yard (Main 6" and Larger)	\$34.11	\$20.77
Rich Box in Rear Yard or Side Alley (Main Smaller than 6")	\$56.85	\$34.62

Benefit Assessment District Option

- Debt Service Cost
- Bond Issuance Cost (legal, underwriter, financial advisor, etc)
- Affirmative Majority Vote Required Based Upon Valuation/Benefit
- Basically It's An Election

Bond Financing

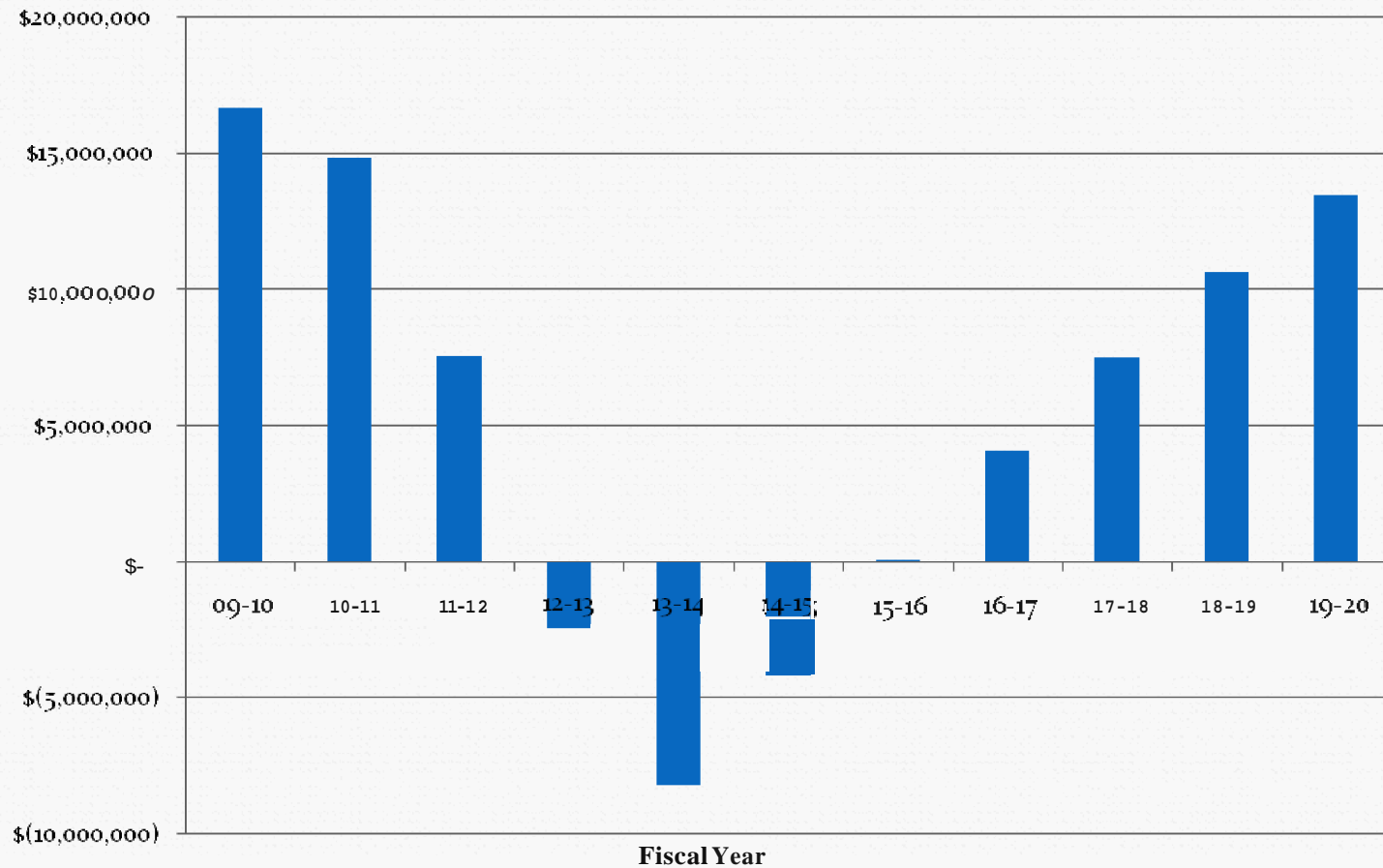
- 20 Year Repayment Schedule
- \$35 Million Capital Program
- Principal and Interest Paid by Existing Rates
- Avoids Negative Cash Condition

Cash Flow Model Alternatives

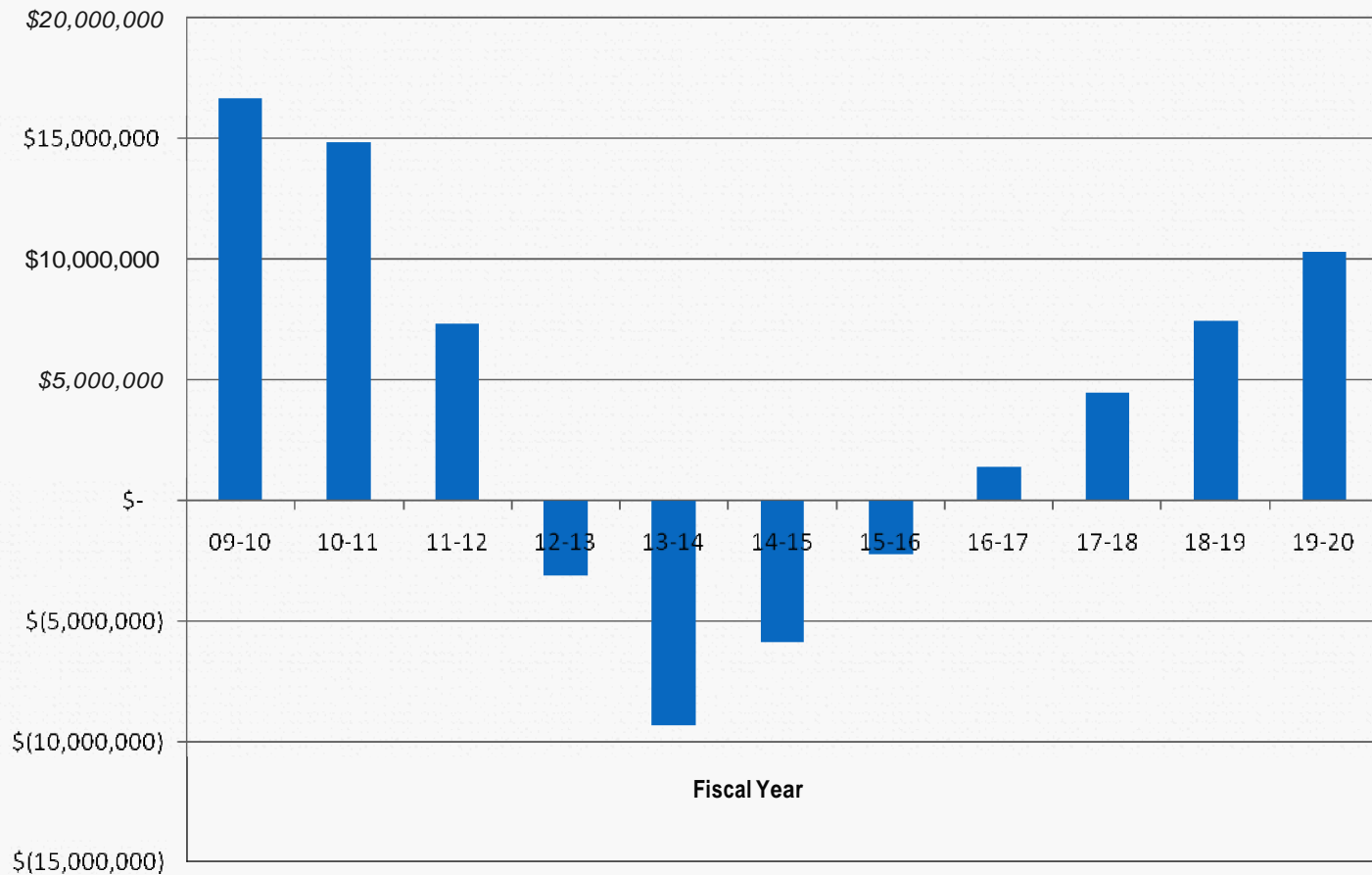
- **Inflation Annual Adjustment – 4%**
- **Infrastructure Replacement Revenue – Approx \$2.6 Million/Year**
- **PCE/TCE Cleanup Funds Reserved**

Alternative	Construction Timeframe	Meter Service Cost	Extended Payment Period
1	3-Years	No Cap	5-Years
2	3-Years	\$1,200 Cap	5-Years
3	5-Years	No Cap	5-Years
4	5-Years	\$450 Uniform Charge	5-Years

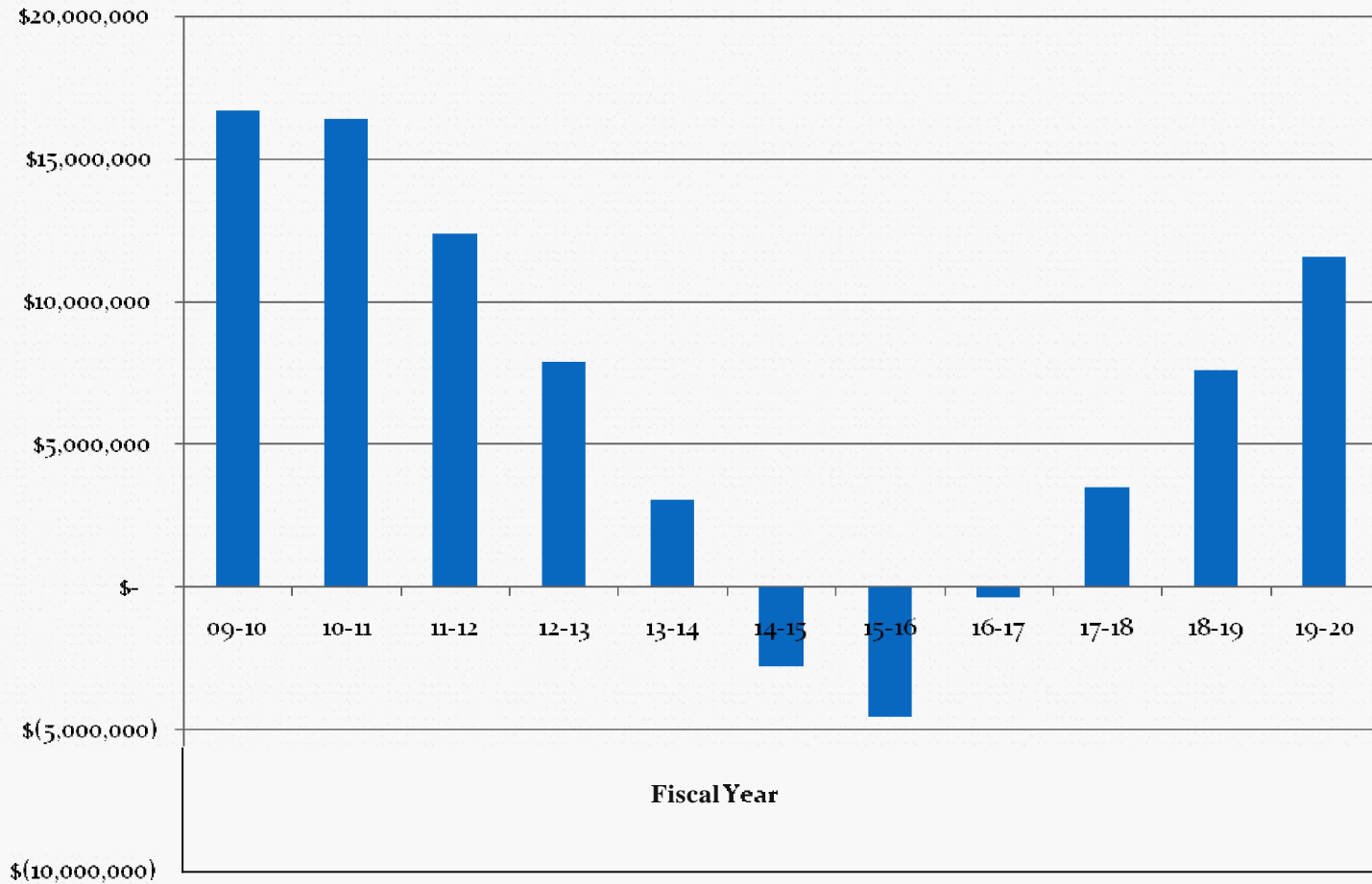
1. 3 Year Construction, No Cap, 5 Year Payment Plan



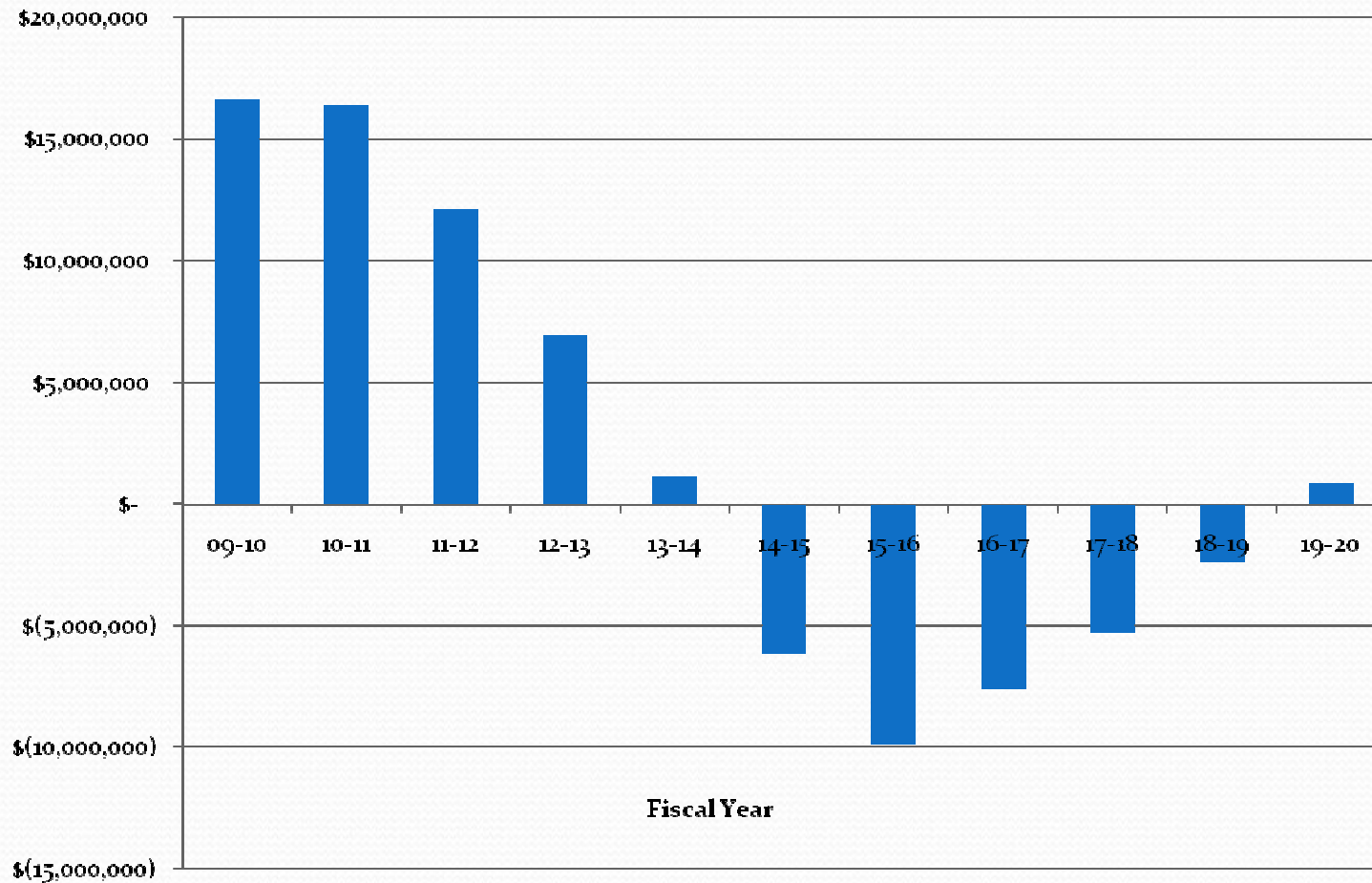
2. 3 Year Construction, \$1,200 Cap, 5 Year Payment Plan



3. 5 Year Construction, No Cap, 5 Year Payment Plan



4. 5 Year Construction, \$450 Uniform Charge, 5 Year Payment Plan





Recommendation

- 5-Year Construction Timeframe (2011 – 2015)
- Property Owners Pay For Meter Service
- 5-Year Extended Payment Plan at City's Investment Portfolio Rate
- Consider Using CDBG Funds for Low Income Homeowners

Meter Program Timeframe Comparison to Other Cities

City/Agency	Customers	Duration
Sacramento Suburban Water District	44,090	21 Years
City of Roseville	35,000	11 Years
City of Folsom	5,800	2 Years
City of Woodland	10,000	8 Years
City of West Sacramento	10,300	7 Years
San Juan Water District	10,000	10 Years



Questions?